

Sample Risk Management Policy

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Save-The-World Nonprofit is committed to protecting its human, financial, tangible, real estate, and goodwill assets and resources through the practice of effective risk management. Save-The-World's board and management are dedicated to safeguarding the safety and dignity of its paid and volunteer staff, its clients, and anyone who has contact with the organization. To this end, the board will ensure that the organization has a risk management plan for the organization that is reviewed and updated on an annual basis.

1. Policy Overview. Financial resources of Save-The-World are the responsibility of the board of directors. The board will:

- a. Have a clear plan for acquisition of financial resources to pay for the programs and services provided by Save-The-World.
- b. Provide guidelines for management and allocation of financial resources which will produce optimum benefit for those we serve.
- c. Monitor and evaluate the financial plans and guidelines of Save-The-World to ensure the financial integrity of Save-The-World.

2. Budget. An annual operating budget will be prepared by the executive director and presented to the board for approval at least 60 days prior to the beginning of the next fiscal year. The budget will reflect the cost of carrying out the programs and services of Save-The-World for the next fiscal year. This budget will also reflect the anticipated revenues of Save-The-World.

3. Budget Review and Implementation. The budget will be viewed by the board as the financial plan for Save-The-World, and approval of the budget by the board will be authority for the executive director to manage Save-The-World's finances according to the plan without seeking further approval of the board. However, the executive will keep the board well informed of the ongoing status of the financial plan, and will not make expenditures outside of the budget plan without seeking board approval to amend the budget. Amendments to the budget will be presented to the board for approval for any of the following reasons:

- a. Save-The-World enters into compacts or contracts that were not included in the approved budget.
- b. Management proposes a major expenditure that was not included in the approved budget.
- c. Significant unanticipated revenues are received or cost overruns occur.

4. Capital Reserves. A working capital reserve sufficient to keep Save-The-World operating for at least a 60-day period will be maintained at all times.

5. Accounting Systems. The accounting system used by Save-The-World will utilize generally accepted accounting practices (GAAP) that are required and/or recommended by regulatory or lending agencies and the Save-The-World auditor.

6. Accounting Practices and Procedures. The accounting practices and procedures used by Save-The-World will allow for adequate management of Save-The-World's revenues and expenses, and will provide adequate systems of monitoring by the board of directors as well as outside auditors.

7. Internal Accounting Control Procedures. The accounting practices will include procedures to safeguard the management of the following asset types:

- a. Cash Receipts. Ensure that receipts are logged and deposited correctly and promptly. Insure that at least one person verifies cash receipts and deposits.
- b. Cash Disbursements. Ensure that all cash disbursements are authorized in writing, with receipts attached to the authorization.
- c. Check Disbursements. Ensure that two signatures are secured for disbursements over \$250; no person signs a check payable to him or herself; all checks are accompanied by verified and approved invoices.
- d. Payroll. Ensure that payroll is made timely and correctly, and that payroll disbursements are verified and approved.
- e. Grants, Donations, Sponsorships. Ensure all grants, donations, and sponsorships are properly logged in the correct account, that all restricted grants, donations and sponsorships are used only for the intended purpose, that proper acknowledgment is made.
- f. Fixed Assets. Ensure that all fixed assets are recorded, that depreciation is logged (where appropriate), and approval is verified before disposal of retired assets.

8. Financial Reports to Board of Directors. Reports reflecting the financial condition of Save-The-World will be presented to the board monthly. These financial reports will include:

- a. At least quarterly status of expenditures on major capital projects.
- b. Monthly statement of cash flow.
- c. Monthly revenue and expense statement for the month and year-to-date with comparison to the budget.

9. Internal Audit. An internal audit process will be established and maintained. A committee of no less than three Board Members will constitute the Audit Review Team. The executive will report to the Audit Review team monthly. The executive will report, at least quarterly, any significant findings to the board. Gross violations or breach of trust will be reported to the board immediately upon discovery.

10. External Audit. An annual audit of Save-The-World's finances will be conducted by an independent auditor appointed by the board. The scope of those audits will be determined from time to time by the board.

11. Appointment of Accounting Firm for Audit. The board will annually approve an accounting firm to do the audit, and the contract for audit will be formally bid at least once every five years. Any firm which currently provides, or within the previous five years has provided, accounting and bookkeeping services to the Board will not be eligible for appointment.

12. Authorized Signatures. Authorized signatories for all general fund accounts must include two of the following: the president of the board, the treasurer of the board, other board members designated as signatories by the board, the executive. Two signatures are required for all checks in excess of \$250. No one may sign a check payable to himself or herself.

13. Financial Controller. It is the responsibility of the executive director to ensure that signatures can be gained from appropriate signatories so that payment can be made on obligations of Save-The-World. It is also the responsibility of the executive to ensure that adequate controls and safeguards have been established to ensure disbursement of funds only for proper purposes.

14. Bonding. The executive director will recommend to the board all necessary bonding of staff members who handle Save-The-World funds and recommend to the board any appropriate insurance protection to protect the finances of Save-The-World.

15. Fiduciary Duty of Check Signers. It is the responsibility of all check signers to ensure that there is adequate documentation, consistent with good internal controls, for valid payment of checks they sign.

16. Financial Risk of Loss. The executive director may not risk financial losses to Save-The-World beyond those that may occur in the normal course of business. The executive will:

- a. Insure against embezzlement, casualty losses to full replacement value, and against liability losses (to board members, organization or staff) beyond the minimally acceptable prudent level.
- b. Ensure that all personnel with access to significant amounts of Save-The-World money are appropriately bonded.
- c. Ensure that facilities and equipment are properly maintained.
- d. Limit exposure of Save-The-World, the board or staff to claims of liability.
- e. Disburse funds only under controls sufficient to meet the board-appointed auditor's standards.
- f. Invest operating capital only in secure short-term investments.
- g. Ensure off-site backup of all computer and other financial records necessary for uninterrupted operation of Save-The-World.

17. Regular and Customary Expenditures. The executive director may make expenditures consistent with the board-approved budget without further board approval. However, expenditures that are not within the board-approved budget must be formally approved by the board of directors.

18. Capital Expenditures. A list of anticipated major capital expenditures should be included with the annual budget that is submitted to the board for approval.

19. Emergency Expenses. Unbudgeted emergency repairs to the physical plant or equipment that must be completed immediately, and cannot be practically submitted to the board for approval, may be authorized by the executive director. The board of directors will be informed of the expenditures as soon as possible.

20. D&O Insurance. It is the policy of Save-The-World to provide directors and officers liability insurance. The continuing need for such insurance will be reviewed each time the policy is due for renewal.

21. General Liability Insurance. Save-The-World will provide insurance to protect the Company, including, but not limited to:

- a. Insurance against employee theft and dishonesty
- b. General liability (personal and property damage and punitive damage)
- c. Commercial (for physical assets)
- d. D&O Insurance e. Workers' Compensation

22. Appointment of Legal Counsel. The board will annually designate legal counsel to serve the needs of Save-The-World. Legal counsel may be requested to attend board meetings by request of a majority of the board members or at the mutual agreement of the board chairperson and the executive director. Only the board chairperson, the executive director or their designee may contact legal counsel on behalf of the board. Costs billed to Save-The-World and associated with individual board members contacting legal counsel, auditors or other professional consultants without specific authority from the board of directors, will be billed to the board member making the unauthorized contact.